

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5734

BELLEVUE COMMUNITY COLLEGE

Agency No. 627

July 1, 1995 Through June 30, 1996

Issue Date: January 17, 1997

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BELLEVUE COMMUNITY COLLEGE
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Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at Bellevue Community College included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was a finding, which is listed in the Schedule of Findings following this Overview, for Bellevue Community College.

Brian Sonntag
State Auditor

October 23, 1996

BELLEVUE COMMUNITY COLLEGE
Agency No. 627
July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. Bellevue Community College Should Improve Controls Over Bookstore Inventory

Our audit of the Bellevue Community College bookstore revealed the controls over the bookstore inventory were not adequate to verify the accuracy and reliability of its accounting data or provide reasonable safeguarding of the inventory.

The college uses the Missouri Book Services (MBS) perpetual inventory system which tracks inventory quantities and values. During our audit we found the following conditions:

- a. We were unable to reconcile the physical inventory to the records or the perpetual inventory reports nor were we able to reconcile the records to the physical inventory.
- b. Inventory reports contained inaccurate information including negative inventory numbers.
- c. The system records payments on refunds to be issued by check immediately rather than after the refund check has been issued by the finance department. As a result, actual paid outs are overstated and sales are understated.

The State of Washington Office of Financial Management (OFM) *Policies, Regulations, and Procedures* manual, Section 3.1.1.2.2 states in part:

- b. Perpetual inventory records are to be reconciled with the physical count.

Section 6.2.2.1.9 further requires:

- g. Causes for differences between quantities determined by physical inspection and those shown on accounting records are to be investigated and, to the extent possible, improvements in procedures are to be made to prevent future error or losses.
- j. A perpetual or periodic inventory record is to be maintained to reflect dollar value and quantities of fixed assets, merchandise for resale, and significant supplies inventories.

College personnel believe the MBS system requires further programming in order to function properly. Because of the inability to rely on the system bookstore personnel "reset" the system each quarter to reflect the results of their sales.

Failure to adequately account for differences in inventory balances could result in intentional or unintentional errors or irregularities occurring and not being detected in a timely manner. In addition, the ability of management to rely on the accounting information is impaired.

We recommend Bellevue Community College personnel improve controls over the bookstore inventory.

Auditee's Response

College personnel agree with points a and b. With respect to point c, the college's accounting office recognized this problem before being notified by the Auditor's Office. Corrective action has been taken. Refunds are no longer being processed through a cash register as part of daily activity. Refunds are processed on a separate register which eliminates the need to adjust the daily cash.

Bellevue Community College will contract with a third party to have a physical inventory taken. We have contacted MBS seeking their assistance in any additional programming as well as entering our current inventory data into the system to create a base for a perpetual inventory.

Auditor's Concluding Remarks

We appreciate the college's commitment to quick corrective action in this matter and will review it during our next audit.